

**LEMON GROVE CITY COUNCIL, ROADWAY LIGHTING DISTRICT BOARD,
SANITATION DISTRICT BOARD & SUCCESSOR AGENCY
AGENDA ITEM SUMMARY**

Item No. 2
Mtg. Date June 7, 2016
Dept. Finance

Item Title: 2016-17 Draft Budget Discussion

Staff Contact: Lydia Romero, City Manager and Gilbert Rojas, Interim Finance Director

Recommendation:

Review draft of 2016-17 Budget document and provide consensus direction to City Manager

Item Summary:

Staff has prepared a draft Budget document for the General Fund, the General Reserve Fund, other funds managed by the City and budgets for the Roadway Lighting District, Sanitation District and Successor Agency. Direction provided by the City Council will help in preparing the final consolidated budget, which will be presented on June 21, 2016.

Fiscal Impact:

None

Environmental Review:

<input checked="" type="checkbox"/> Not subject to review	<input type="checkbox"/> Negative Declaration
<input type="checkbox"/> Categorical Exemption, Section <u> </u>	<input type="checkbox"/> Mitigated Negative Declaration

Public Information:

<input checked="" type="checkbox"/> None	<input type="checkbox"/> Newsletter article	<input type="checkbox"/> Notice to property owners within 300 ft.
<input type="checkbox"/> Notice published in local newspaper	<input type="checkbox"/> Neighborhood meeting	

Attachments:

- A. Staff Report
- B. Draft Budget Document

Attachment A

LEMON GROVE CITY COUNCIL, ROADWAY LIGHTING DISTRICT BOARD, SANITATION DISTRICT BOARD & SUCCESSOR AGENCY STAFF REPORT

Item No. 2

Mtg. Date June 7, 2016

Item Title: **Draft Fiscal Year 2016-17 Budgets for the City of Lemon Grove, Roadway lighting District, Sanitation District, and Successor Agency**

Staff Contact: Lydia Romero, City Manager and Gilbert Rojas, Interim Finance Director

Discussion:

The purpose of this staff report is to provide the City Council with a draft Budget document and provide insight as to the operational plan for Fiscal Year 2016-17.

General Fund

Estimated Revenues

Total estimated revenue for the General Fund is projected to increase by 3.5%. Our three largest revenue sources continue to be Sales tax, Property tax and Property tax in lieu of VLF.

Sales tax has been projected to decrease 2.7% from last fiscal years estimate. This is due to last year's amount accounting for the end of the "triple flip" and the related "make up" payments from the State.

Property tax is estimated to increase by 3%. We feel this is a conservative estimate since the County Assessor does not release his projections until the end of June. Any adjustment that is significant can be made at midyear.

Property tax in lieu of VLF is estimated to increase by 3%. This is also a very conservative estimate since the \$2,135,000 is the amount we have received in the prior year.

Expenditures

Proposed staffing changes to this fund include:

- 1) Reclassification of an Engineer Tech II to Management Analyst
- 2) Reclassification of the Finance Director position to Finance Manager (salary saving \$38,000)
- 3) Establish a new Associate Accountant position. (salary of \$56,000)
- 4) Establish an extra help position of Park Ranger (cost \$15,000)
- 5) Change of Title and responsibilities for Public Works Director. Title change will be Assistant City Manager/Public Works Director. Salary cost will be \$6,000 of which General Fund will pay for 10%.

Attachment A

In addition, the General Fund budget has been prepared with 2% salary increase to Fire Safety employees per contract. The Miscellaneous employees (with the exception of the City Manager) have been budgeted with a proposed 2% salary increase effective in July, 2016.

Contract Services has increased for the Fiscal Year. The Sheriff contract has will increase approximately 4.5%. While the Animal Control contract will remain the same. The City Attorney budget has been increased based on the FY 2015-16 activities. The City also contracts for engineering services and has budgeted \$330,000 which will be funded by various funding sources. Plan checking and building services is an outsourced service within the Development Services Budget. Plan checking and building inspection costs are fully paid for by the applicant.

Operational changes include:

- 1) Election cost of \$32,000
- 2) Fire Dispatch contract increased by \$15,000 due to 7.4% increase in call volume
- 3) Fire Department to replace a thermal imaging camera (cost \$12,000)
- 4) Property Insurance increased \$30,000 due to adding earthquake insurance.
- 5) General Liability insurance decreased by \$30,000
- 6) Workers Compensation cost increased by \$22,000.

Gas Tax Fund

It is proposed that the General Fund transfer \$100,000 to this fund in order to maintain the street maintenance effort in the City. The finances of this fund should be closely monitored during the year.

Pension Liability Fund

There are no planned contributions to this fund, however if General Fund revenues exceed expenditures for FY 15-16 staff will present some funding options.

General Fund Reserve

This fund will be used as a “true” reserve. The City will no longer budget expenditures for Capital or Operating expenses. Any use of Reserves will be approved by the City Council and treated as a transfer-out from this fund and a transfer-in to the appropriate fund. We are also suggesting that the General Fund fund balance of \$3 million be moved in total or in part to this fund so as to truly reflect the City’s reserves in compliance with Council adopted policy.

TDA Fund

These funds must be expended on maintaining and/or improving public transit facilities. Staff and contract labor provides street sweeping, power wash bus stops and tree trimming along the transit corridor. In addition, there is \$237,400 available for the Lemon Grove Avenue Realignment Project.

Attachment A

Self-Insured Workers Compensation Fund

The City must maintain a cash balance of three times our Self Insurance Retention (SIR). Our SIR is \$125,000. Our current cash balance is \$650,000. The City maintains excess coverage from CSAC for all claims over \$125,000.

Self-Insured Liability Reserve

The Self Insurance Retention (SIR) is \$100,000. The City has excess insurance coverage with CSAC for all claims above our SIR. The current cash balance in this fund is \$479,000.

Redevelopment Successor Agency

The Successor Agency anticipates receiving approximately \$2.4 million in Redevelopment Property Tax Trust Fund (RPTTF) proceeds from the County. The FY 2016-17 budget reflects bond interest payments totaling \$1,071,800, bond principal payments totaling \$685,000 and repayment to the City of \$343,200 in loans.

Sanitation District Budget

The Lemon Grove Sanitation District manages two funds—an Operations Fund and a Reserve Fund. In FY 2016-17, the District anticipates generating \$5.8 million in total revenue. Offsetting this revenue, the District anticipates expending \$5.0 million for operating costs and \$1.5 million in Capital Improvement projects.

It is proposed that a new Sanitation Tech I position be authorized. This position will be added to the crew that does video monitoring and cleaning of sewer mainlines. In addition, this fund will also pay costs associated with a new accountant position in the Finance Department. The cost will be based on workload for the District, which will be significant in future years due to the Capital Improvement program.

Conclusion:

Staff recommends that the City Council provide feedback to assist the preparation of the FY 2016-17 budgets for the General Fund/General Reserve Fund, the other funds managed by the City, the Roadway Lighting District funds, the Sanitation District funds, and the Successor Agency fund. Staff will prepare a final budget document for the City Council's consideration at the June 21, 2016 meeting.